

Message Text

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ACTION EB-07

INFO OCT-01 IO-10 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10

L-03 FRB-03 OMB-01 TAR-01 SP-02 AGR-05 AID-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04

TRSE-00 CIEP-01 CEA-01 /099 W
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R 291730Z OCT 75

FM USMISSION GENEVA

TO SECSTATE WASHDC 6529

INFO USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: EFIN

SUBJ: SECRETARIAT PROPOSAL ON DEBT AT UNCTAD CIFT

1. UNCTAD SECRETARIAT TODAY PROPOSED TWOFOLD PROGRAM
FOR DEALING WITH DEBT PROBLEMS OF DEVELOPING COUNTRIES.
FIRST PART RELATES TO MSAS AND ADVOCATES:

--A MORATORIUM ON ODA DEBT SERVICE FOR THE REMAINDER
OF THE DECADE, OR ALTERNATELY AT THE OPTION OF THE
CREDITOR, THE CONVERSION OF ALL OUTSTANDING ODA CREDITS
TO GRANTS.

--A COMMITMENT BY THE IFIS TO PROVIDE PROGRAM ASSIST-
ANCE TO EACH OF THE MSAS IN AN AMOUNT NO LESS THAN
DEBT SERVICE FALRD DUE TO THEM.

2. THE SECOND PART RELATES TO COMMERCIAL BORROWERS
AND ADVOCATES THE ESTABLISHMENT OF AN AD HOC INTER-
NATIONAL FUND TO REFINANCE THE COMMERCIAL DEBT OF
DEVELOPING COUNTRIES AT COMMERCIAL INTEREST RATES AND
WITH MATURITIES OF 15-20 YEARS. DEVELOPED COUNTRIES
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SHOULD EITHER CONTRIBUTE FUNDS DIRECTLY TO THE FUND OR

COULD PROVIDE GUARANTEES FOR BOND FLOATATIONS BY THE FUND. DEVELOPED COUNTRY PARTICIPATION WOULD BE ON THE BASIS OF THE AMOUNT OF COMMERCIAL DEBT TO LDCS CURRENTLY OUTSTANDING. OTHER COUNTRIES WOULD ALSO BE WELCOME TO PARTICIPATE.

3. UNCTAD SECRETARIAT HAS IN EFFECT REJECTED "CASE BY CASE" APPROACH RECOMMENDED BY THE AD HOC EXPERTS REPORT ON DEBT AS NOT RELEVANT TO CURRENT ECONOMIC SITUATION. SECRETARIAT MAINTAINS PRESENT DEBT DIFFICULTIES ARE NOT PARTICULAR TO SPECIFIC COUNTRIES BUT THE RESULT OF GLOBAL MALADJUSTMENT BEYOND THE INFLUENCE OF DEBTOR COUNTRIES.

4. ON MSA PROPOSAL, WE WILL IN ACCORDANCE WITH POSITION PAPER INDICATE THAT US COULD NOT PARTICIPATE IN SUCH GENERAL BALANCE OF PAYMENTS RELIEF. MAJOR GROUP B COUNTRIES (GERMANY, FRANCE, UK AND CANADA) ALSO EXPECTED TO STRONGLY OPPOSE.

5. ON NEW FUND, WE WILL COORDINATE CLOSELY WITH GROUP B TO SEEK COMMON APPROACH. INITIAL REACTION OF SOME GROUP B MEMBERS IS TO REJECT PROPOSAL, BUT FOR TACTICAL REASONS THERE MAY BE RELUCTANCE TO TAKE FINAL POSITION ON A NEW PROPOSAL PARTICULARLY IN VIEW OF WORK NOW UNDER WAY IN DEVELOPMENT COMMITTEE ON POSSIBLE GUARANTEE MECHANISM.

6. WILL KEEP WASHINGTON AGENCIES INFORMED REGARDING DEVELOPMENTS AND WE WOULD APPRECIATE ANY TACTICAL GUIDANCE.

7. DEBATE ON INTERNATIONAL MONETARY SYSTEM CONCLUDED, WITH NO SURPRISES, BUT WE MAY BE PRESENTED WITH DIFFICULT DRAFT RESOLUTIONS LATER. DEADLINE ON RESOLUTIONS MONDAY.ABRAMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, LESS DEVELOPED COUNTRIES, ECONOMIC COOPERATION, FINANCIAL PROGRAMS, DEBTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA08175
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750375-0988
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751011/aaaaajej.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUN 2003 by izenbei0>; APPROVED <04 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SECRETARIAT PROPOSAL ON DEBT AT UNCTAD CIFT
TAGS: EFIN, UNCTAD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006